

ORIGINAL OPEN MEETING



MEMORANDUM

Arizona Corporation Commission

DOCKETED

JUL 11 2006

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TO: THE COMMISSION
FROM: Utilities Division
DATE: July 11, 2006

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AZ CORP COMMISSION
DOCUMENT CONTROL

RE: SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE'S TIME-OF-USE RATES (DOCKET NO. E-01575A-03-0465)

Schedule RT (Residential Time of Use), Schedule GT (General Service & Small Power Time of Use) and Schedule PT (General Power Service Time of Use) are experimental time-of-use tariffs offered to customers by Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC"). On March 25, 2002 (Decision No. 64654), the Commission approved revisions to the tariffs. On June 5, 2002, the Commission froze the tariffs because SSVEC had discovered that it had made an error in determining the revised rates.

On August 13, 2003 (Decision No. 66177), the Commission adjusted the rates, unfroze the tariffs, and limited the number of customers served under the three schedules to a maximum of 5 MW of installed load. Decision No. 66177 ordered that the tariffs would remain experimental, but they would be reviewed in SSVEC's next rate case. (SSVEC has not had a rate case since the Decision.) SSVEC would continue to file annual reports that provide information on how many customers are taking service under these tariffs, how much those customers have saved relative to SSVEC's non-time-of-use rates for the same class of service, and how these tariffs have provided a benefit to SSVEC.

Decision No. 66177 also ordered that, by June 30, 2005, Staff would issue a report with a recommendation as to whether these rates should be amended, extinguished, or made permanent, subject to Commission approval. On June 24, 2005, Staff requested an extension of time to file the report 60 days from the date that SSVEC files its annual report covering 2004. SSVEC filed its 2004 annual report on June 27, 2005. The Chief Administrative Law Judge extended the time for Staff filing its Staff Report to August 26, 2005.

Staff docketed its Staff Report on August 26, 2005. In the report, Staff recommended that Schedules RT, GT, and PT be made permanent. Staff also recommended that SSVEC provide educational marketing of Schedule RT in a form and manner acceptable to Staff.

SSVEC filed its annual report, covering 2005, on February 21, 2006.

Schedule RT

Schedule RT (Residential Time of Use) was originally approved as an experimental tariff by the Commission on September 20, 1995 (Decision No. 59285), with an expiration date of September 30, 1997. On September 26, 1997 (Decision No. 60421), April 30, 1998 (Decision No. 60840), and January 7, 1999 (Decision No. 61330), the Commission extended the rate schedule until March 31, 1998, December 31, 1998, and December 31, 1999, respectively. The optional schedule is available for residential customers who require less than 50 kVA of single-phase service.

The summer on-peak hours are 2:00 p.m.-7:00 p.m., Monday through Saturday. The winter on-peak hours are 6:30 a.m.-10:00 a.m. and 6:00 p.m.-9:30 p.m., Monday through Friday. All other hours are off-peak.

The rates consist of a customer charge of \$11.40 per month, an on-peak energy charge of \$0.14050 per kWh, and an off-peak energy charge of \$0.07319 per kWh.

Customers on Schedule RT in 2005 had from 69 percent to 85 percent of their energy consumption during off-peak hours, with an average of 79 percent. About 75 percent of energy consumption has to be off-peak for customers to save under Schedule RT compared to the regular residential rate schedule (Schedule R).

Annual kWh	Percent of kWh Off-peak	Annual Bill on Schedule R	Annual Bill on Schedule RT
12,000	70%	\$1,364	\$1,363
12,000	75%	\$1,364	\$1,322
12,000	80%	\$1,364	\$1,282
9,000	70%	\$1,056	\$1,057
9,000	75%	\$1,056	\$1,026
9,000	80%	\$1,056	\$996

There were 20 customers on this schedule in 2002, 20 in 2003, 21 in 2004, and 19 in 2005. Using actual consumption data from 2005, but with current rates and excluding taxes and regulatory assessments, 15 customers would have had smaller bills on this schedule than they would have had on the otherwise applicable schedule. However, those who did not have smaller bills came close to breaking even over the year. According to SSVEC's 2005 annual report, most of the customers on Schedule RT are retired, young professionals, or small families.

Schedule GT

Schedule GT (General Service & Small Power Time of Use) was originally approved as an experimental tariff by the Commission in SSVEC's last rate case (Decision No. 58358, July 23, 1993). The optional schedule is available for commercial customers who require less than 50 kVA transformer capacity. The on-peak and off-peak hours are the same as on Schedule

RT. The rates consist of a service availability charge of \$12.57 per month for the first 10 kVA of installed transformer capacity plus \$1.50 for each additional kVA, an on-peak capacity charge of \$17.00 per kW, and an energy charge of \$0.06739 per kWh.

There were 23 customers on this schedule in 2002, 22 in 2003, 34 in 2004, and 38 in 2005. In 2005, 21 customers had smaller bills on this schedule than they would have had on the standard general service schedule. According to SSVEC's 2005 annual report, most of these customers are small irrigation well services that do not operate during peak times.

Schedule PT

Schedule PT (General Power Service Time of Use) was originally approved as an experimental tariff by the Commission in SSVEC's last rate case (Decision No. 58358, July 23, 1993). The optional schedule is available for commercial customers who guarantee a monthly billing capacity of more than 50 kVA.

The on-peak and off-peak hours are the same as on Schedules RT and GT. The rates consist of a service availability charge of \$43.84 per month, an on-peak capacity charge of \$17.00 per kVA, an off-peak capacity charge of \$4.09 per kVA (with a maximum billing capacity of the greater of the maximum monthly kVA metered capacity for the billing period, 50 kVA, 80 percent of the highest maximum monthly kVA metered capacity established during the previous 11 months, 60 percent of installed substation capacity, or the contract capacity), and an energy charge of \$0.03469 per kWh.

There were 16 customers on this schedule in 2002, 13 in 2003, 44 in 2004, and 21 in 2005. In 2005, 17 customers on this schedule had lower bills than they would have had on the otherwise applicable irrigation schedule. According to SSVEC's 2005 annual report, most of these customers are farm irrigators.

Staff Recommendations

Staff recommends that Schedules RT, GT, and PT be made permanent because customers have the opportunity to benefit from them, and SSVEC reduces its costs for purchased power when customers shift load to off-peak hours.

Staff also recommends that SSVEC provide educational marketing of Schedule RT. There appears to be a lack of participation of residential customers for Schedule RT. Residential customers may not know that the rate schedule is available. SSVEC should market the time-of-use rate, possibly with an article in its newsletter. However, time-of-use rates are not for everyone. In fact, some of the customers did not have bills lower than they would have had on a standard schedule. Marketing materials should explain clearly how the rate schedule works and who might benefit most from being on the rate.

THE COMMISSION

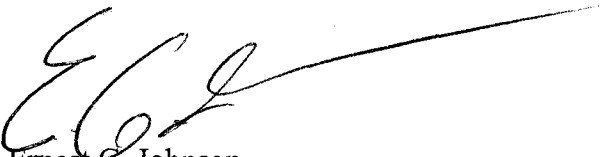
July 11, 2006

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In addition, Staff recommends that the limit on participation in these schedules of 5 MW of installed load be removed. (Installed load on these schedules is currently estimated to be 3.17 MW.) The limit was originally imposed to protect SSVEC from excessive revenue losses if the rates were not designed properly. Experience has shown that excessive revenue losses are not an issue. Therefore, the cap is no longer necessary.

Staff proposes that these actions be taken at this time instead of waiting for SSVEC's next rate case. No such rate case is expected in the near future. Waiting an unspecified and possibly extended period of time may preclude some customers from benefits.

Staff further recommends that SSVEC continue to file annual reports in 2007 and 2008 that provide information on how many customers are taking service under these tariffs, how much those customers have saved relative to SSVEC's non-time-of-use rates for the same class of service, and how these tariffs have provided a benefit to SSVEC. The reports are to be filed each February 15 for the previous calendar year. These reports are necessary for Staff to monitor participation levels on these schedules.



Ernest G. Johnson
Director
Utilities Division

EGJ:BEK:lmh\JMA

ORIGINATOR: Barbara Keene

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 JEFF HATCH-MILLER

Chairman

3 WILLIAM A. MUNDELL

Commissioner

4 MARC SPITZER

Commissioner

5 MIKE GLEASON

Commissioner

6 KRISTIN K. MAYES

Commissioner

7
8 SULPHUR SPRINGS VALLEY ELECTRIC
9 COOPERATIVE'S TIME-OF-USE RATES

) DOCKET NO. E-01575A-03-0465

) DECISION NO. _____

) ORDER

10
11
12 Open Meeting
13 July 25 and 26, 2006
14 Phoenix, Arizona

15 BY THE COMMISSION:

16 FINDING OF FACT

17 1. Sulphur Springs Valley Electric Cooperative ("SSVEC") is certificated to provide
18 electric service as a public service corporation in the State of Arizona.

19 2. Schedule RT (Residential Time of Use), Schedule GT (General Service & Small
20 Power Time of Use) and Schedule PT (General Power Service Time of Use) are experimental
21 time-of-use tariffs offered to customers by SSVEC. On March 25, 2002 (Decision No. 64654), the
22 Commission approved revisions to the tariffs. On June 5, 2002, the Commission froze the tariffs
23 because SSVEC had discovered that it had made an error in determining the revised rates.

24 3. On August 13, 2003 (Decision No. 66177), the Commission adjusted the rates,
25 unfroze the tariffs, and limited the number of customers served under the three schedules to a
26 maximum of 5 MW of installed load. Decision No. 66177 ordered that the tariffs would remain
27 experimental, but they would be reviewed in SSVEC's next rate case. (SSVEC has not had a rate
28 case since the Decision.) SSVEC would continue to file annual reports that provide information
on how many customers are taking service under these tariffs, how much those customers have

1 saved relative to SSVEC's non-time-of-use rates for the same class of service, and how these
2 tariffs have provided a benefit to SSVEC.

3 4. Decision No. 66177 also ordered that, by June 30, 2005, Staff would issue a report
4 with a recommendation as to whether these rates should be amended, extinguished, or made
5 permanent, subject to Commission approval. On June 24, 2005, Staff requested an extension of
6 time to file the report 60 days from the date that SSVEC files its annual report covering 2004.
7 SSVEC filed its 2004 annual report on June 27, 2005. The Chief Administrative Law Judge
8 extended the time for Staff filing its Staff Report to August 26, 2005.

9 5. Staff docketed its Staff Report on August 26, 2005. In the report, Staff
10 recommended that Schedules RT, GT, and PT be made permanent. Staff also recommended that
11 SSVEC provide educational marketing of Schedule RT in a form and manner acceptable to Staff.

12 6. SSVEC filed its annual report, covering 2005, on February 21, 2006.
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14 Schedule RT

15 7. Schedule RT (Residential Time of Use) was originally approved as an experimental
16 tariff by the Commission on September 20, 1995 (Decision No. 59285), with an expiration date of
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18 60840), and January 7, 1999 (Decision No. 61330), the Commission extended the rate schedule
19 until March 31, 1998, December 31, 1998, and December 31, 1999, respectively. The optional
20 schedule is available for residential customers who require less than 50 kVA of single-phase
21 service.

22 8. The summer on-peak hours are 2:00 p.m.-7:00 p.m., Monday through Saturday.
23 The winter on-peak hours are 6:30 a.m.-10:00 a.m. and 6:00 p.m.-9:30 p.m., Monday through
24 Friday. All other hours are off-peak.

25 9. The rates consist of a customer charge of \$11.40 per month, an on-peak energy
26 charge of \$0.14050 per kWh, and an off-peak energy charge of \$0.07319 per kWh.

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28 ...

10. Customers on Schedule RT in 2005 had from 69 percent to 85 percent of their energy consumption during off-peak hours, with an average of 79 percent. About 75 percent of energy consumption has to be off-peak for customers to save under Schedule RT compared to the regular residential rate schedule (Schedule R).

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1 standard general service schedule. According to SSVEC's 2005 annual report, most of these
2 customers are small irrigation well services that do not operate during peak times.

3

4 Schedule PT

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6 experimental tariff by the Commission in SSVEC's last rate case (Decision No. 58358, July 23,
7 1993). The optional schedule is available for commercial customers who guarantee a monthly
8 billing capacity of more than 50 kVA.

9 15. The on-peak and off-peak hours are the same as on Schedules RT and GT. The
10 rates consist of a service availability charge of \$43.84 per month, an on-peak capacity charge of
11 \$17.00 per kVA, an off-peak capacity charge of \$4.09 per kVA (with a maximum billing capacity
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13 percent of the highest maximum monthly kVA metered capacity established during the previous
14 11 months, 60 percent of installed substation capacity, or the contract capacity), and an energy
15 charge of \$0.03469 per kWh.

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17 in 2005. In 2005, 17 customers on this schedule had lower bills than they would have had on the
18 otherwise applicable irrigation schedule. According to SSVEC's 2005 annual report, most of these
19 customers are farm irrigators.

20

21 Staff Recommendations

22 17. Staff has recommended that Schedules RT, GT, and PT be made permanent because
23 customers have the opportunity to benefit from them, and SSVEC reduces its costs for purchased
24 power when customers shift load to off-peak hours.

25 18. Staff has also recommended that SSVEC provide educational marketing of
26 Schedule RT. There appears to be a lack of participation of residential customers for Schedule RT.
27 Residential customers may not know that the rate schedule is available. SSVEC should market the
28 time-of-use rate, possibly with an article in its newsletter. However, time-of-use rates are not for

1 everyone. In fact, some of the customers did not have bills lower than they would have had on a
2 standard schedule. Marketing materials should explain clearly how the rate schedule works and
3 who might benefit most from being on the rate.

4 19. In addition, Staff has recommended that the limit on participation in these schedules
5 of 5 MW of installed load be removed. (Installed load on these schedules is currently estimated to
6 be 3.17 MW.) The limit was originally imposed to protect SSVEC from excessive revenue losses
7 if the rates were not designed properly. Experience has shown that excessive revenue losses are
8 not an issue. Therefore, the cap is no longer necessary.

9 20. Staff has proposed that these actions be taken at this time instead of waiting for
10 SSVEC's next rate case. No such rate case is expected in the near future. Waiting an unspecified
11 and possibly extended period of time may preclude some customers from benefits.

12 21. Staff has further recommended that SSVEC continue to file annual reports in 2007
13 and 2008 that provide information on how many customers are taking service under these tariffs,
14 how much those customers have saved relative to SSVEC's non-time-of-use rates for the same
15 class of service, and how these tariffs have provided a benefit to SSVEC. The reports are to be
16 filed each February 15 for the previous calendar year. These reports are necessary for Staff to
17 monitor participation levels on these schedules.

18 CONCLUSIONS OF LAW

19 1. SSVEC is an Arizona public service corporation within the meaning of Article XV,
20 Section 2, of the Arizona Constitution.

21 2. The Commission has jurisdiction over SSVEC and over the subject matter of the
22 application.

23 3. The Commission, having reviewed the application and Staff's Memorandum dated
24 July 11, 2006, concludes that it is in the public interest to approve Staff's recommendations
25 concerning SSVEC's time-of-use rates.

26 ORDER

27 THEREFORE, IT IS ORDERED that Schedules RT, GT, and PT be made permanent.

28 IT IS FURTHER ORDERED that SSVEC provide educational marketing of Schedule RT.

1 IT IS FURTHER ORDERED that SSVEC continue to file annual reports in 2007 and 2008
2 as described in Finding of Fact No. 21.

3 IT IS FURTHER ORDERED that the limit on participation in these schedules of 5 MW of
4 installed load be removed.

5 IT IS FURTHER ORDERED that SSVEC file revised rate schedules consistent with the
6 terms of this Decision, as a compliance matter with Docket Control, within 30 days from the
7 effective date of the Decision.

8 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

9
10 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**
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13 CHAIRMAN

COMMISSIONER

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16 COMMISSIONER

COMMISSIONER

COMMISSIONER

17 IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive
18 Director of the Arizona Corporation Commission, have
19 hereunto, set my hand and caused the official seal of this
20 Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2006.

21
22 _____
23 BRIAN C. McNEIL
24 Executive Director

25 DISSENT: _____

26 DISSENT: _____

27 EGJ:BEK:lhmvJMA
28

Decision No. _____

1 SERVICE LIST FOR: Sulphur Springs Valley Electric Cooperative, Inc.
2 DOCKET NOS. E-01575A-03-0465

3 Mr. David Bane
4 Key Account Manager
5 Sulphur Springs Valley Electric Cooperative, Inc.
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7 Mr. Ernest G. Johnson
8 Director, Utilities Division
9 Arizona Corporation Commission
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10 Mr. Christopher C. Kempley
11 Chief Counsel
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